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NATIONAL INTELLIGENCE DAILY CABLE

Friday February 4, 1977

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State Department review completed

NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Friday, February 4, 1977.

The NID Cable is for the purpose of informing senior US officials.

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ETHIOPIA: Attempted Coup

25X1 [REDACTED] //Ethiopia's ruling military council chairman Teferi was executed and five other council members were either executed or killed as a result of the fighting among the members yesterday. According to an official announcement, they were executed for being connected with the Ethiopian People's Revolutionary Party.//

25X1 [REDACTED] //The party, an underground Marxist group, recently increased its antigovernment activities in Addis Ababa.

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25X1 [REDACTED] //Mengistu, leader of the radical leftist faction, apparently has emerged as the strongest figure in the government. Rivalries within the council will continue, however, and another outbreak of fighting is possible. [REDACTED]

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FRANCE: Chirac Rejects Compromise

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[REDACTED] Gaullist leader Jacques Chirac has again rejected a compromise that would have allowed embattled government forces to enter next month's important Paris municipal election with a show of unity.

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[REDACTED] Chirac on Tuesday turned down an offer by Minister of Industry D'Ornano, an Independent Republican and President Giscard's personal choice for mayor of Paris, to prepare joint lists in sectors of Paris that are vulnerable to the Socialist-Communist opposition. Chirac said he would run his own competing lists and that he would personally stand for office in the fifth district, where he is assured of election.

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[REDACTED] Chirac clearly wants the municipal council stacked with his own supporters. At the same time, he said that in the "unlikely event" D'Ornano's lists are better placed than his to defeat an opposition candidate in the second round, he will withdraw his candidates.

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[REDACTED] The Socialist-Communist alliance is itself deeply divided and so far not in a position to profit from the disarray of the majority. The Communists are more strongly entrenched in Paris than the Socialists and have been unwilling to compromise on joint lists or a single candidate for mayor of Paris.

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[REDACTED] The Communists have their own candidate, as do the left wing Socialists who dominate the Paris federation of the Socialist party. Although chances are good that the left will ultimately come up with a joint slate, current predictions are that Paris will remain a center-right city.

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[REDACTED] A victory for the center-right in Paris should offset the losses the coalition is likely to suffer in other municipalities--losses for which Giscard would bear the major responsibility. It should also consolidate the Gaullist position as the dominant party within the governing coalition.

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[REDACTED] Chirac is likely to be elected mayor. The post should keep him in the limelight as he conducts a vigorous campaign for the 1978 election and serve as a stepping stone to a possible bid for the presidency in 1981. Should the opposition win in 1978, Chirac would have in the Paris mayoralty a power base from which he could rally anticommunist forces against the left.

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[REDACTED] The Gaullists probably will be even less accommodating parliamentary partners for Giscard's coalition, and the President's reform program probably will suffer accordingly. Although Giscard and Chirac still have as many reasons to work out a modus vivendi as they have in the past, the balance appears to be shifting in Chirac's favor.

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EGYPT: Sadat Lays Down the Law

25X1 [] President Sadat failed to offer any quick or easy remedies to the economic hardships facing the Egyptian people in a major address yesterday. The speech--billed as Sadat's response to the riots that shook Egypt some two weeks ago--stuck to the themes presented earlier in the week during the President's meetings with groups of educators, students, and workers. At those gatherings, Sadat blamed the disturbances on a conspiratorial leftist minority.

25X1 [] In a vote of confidence for the most prominent members in his government, Sadat offered public thanks to Vice President Mubarak, War Minister Gamasi and Prime Minister Salim for their help in controlling the civil unrest. During the demonstrations, the Prime Minister was widely blamed for Egypt's economic ills and there were some calls for his resignation. Sadat is more dependent than ever on the influence that these men have within the military and security services.

25X1 [] Sadat promised that his government would concentrate on providing housing and food, and would strengthen measures to collect taxes from the rich. Lacking anything more concrete in the way of immediate relief, Sadat stated he would allow no repetition of the disturbances and would present a tough law-and-order bill for public referendum next week.

25X1 [] The new security measures are not likely to set well with some Egyptians, particularly students and other politically sophisticated groups which have enjoyed greater freedoms under Sadat's recent political liberalization program.

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25X1 [] A major test of Sadat's get-tough policy will occur on February 12, when Egypt's schools are scheduled to reopen after the midyear break. [] 25X1

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WEST GERMANY - TURKEY: Arms Sale

25X1 [] The West German cabinet has authorized the government to underwrite most of the financing for a large commercial arms deal between German firms and Turkey that reportedly will include 182 Leopard tanks, some 6,500 Milan antitank missiles, and other support equipment. Reports of the price vary but, according to the US embassy in Bonn, the sale will be worth \$500 million.

25X1 [] Credit terms had been the major stumbling block during discussions over the past several years. Negotiations began in earnest last fall when the German government, prodded by its defense and foreign ministries and conscious of the economic difficulties faced by some German arms manufacturers, indicated a willingness to consider providing official backing.

25X1 [] Bonn's support of the sale is in keeping with West German arms aid policy toward Turkey over the last two years. The German government cut off all military aid to Turkey following the Cyprus crisis but allowed commercial sales to start again in late 1974 and resumed military assistance soon after.

25X1 [] The purchase underscores Ankara's desire to diversify its arms sources, although West Germany has indicated that it will not replace the US as Turkey's main arms supplier. Since the US arms embargo in 1975, Turkey has been negotiating without much success for military assistance and arms purchases from a number of West European and Middle Eastern countries.

25X1 [] Turkey is the seventh country to order the highly regarded Leopard tank. The purchase of 182 Leopards, however, is not likely to have much impact on Turkey's armored units, now organized around some 3,600 older US-built M-47s and M-48s. The Leopards probably will be used to form a separate armored brigade rather than be integrated into existing units. []

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USSR: TU-144 Introduction Delayed

25X1 [] The Soviets have been forced to delay introducing their troubled supersonic transport, the Tupolev TU-144, into commercial passenger service. The aircraft had been scheduled

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to enter service by the end of 1976, but on January 7 Civil Aviation Minister Bugayev said it must undergo technical tests for another year.

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[] In December 1975, the TU-144 began carrying freight and mail twice a week in what was billed as the world's first scheduled supersonic service, but by June these flights had been cut back to one a week. In his January statement, Bugayev set no new date for the aircraft's entry into passenger service, nor did he explain the reason for the additional tests.

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[] deficiencies in airframe design prevent the aircraft from flying the distance required with a full payload. The aerodynamic design of the TU-144 is at the same general level as Western technology, but a combination of factors has probably resulted in higher than anticipated fuel consumption at supersonic speeds. The resulting low propulsion efficiency would reduce the aircraft's range capability.//

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[] //The Soviets say the TU-144 with full payload has a range of 6,500 kilometers, but this appears to be optimistic. A range of 4,900 kilometers for its current commercial operations would be more likely.//

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[] //The Soviets are seeking Western technology that can extend the range of the TU-144. A \$17-million contract has been proposed between Lucas Aerospace, Ltd., of the UK, and the Soviet trade organization, Litsenzintorg, to design and develop an electronic control system for the plane's turbofan engine. A version of this engine powers the Backfire bomber.//

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[] //The contract--which must be approved by the Coordinating Committee of the Consultative Group of Nations that oversees defense-related sales to communist states--appears to have been facilitated by the UK-USSR Agreement for Scientific and Technological Cooperation, signed in 1975. The agreement covers the aviation industry, including automatic control systems for gas turbine engines.//

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[] //More recently, the Soviets have suggested that in exchange for British and French technical cooperation, they would promote Concorde's access to certain communist and developing countries and participate in a cooperative study of a second-generation supersonic transport.//

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[REDACTED] //The proposed British control system, which will be based on the electronic fuel control system developed and successfully tested on the Concorde, monitors engine performance throughout flight and makes the most effective use of engine air flow and fuel consumption. Successful integration of this technology into the TU-144 would require at least one to two years. It would probably not solve the range problems, however, unless it was accompanied by significant design changes to reduce drag.//

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[REDACTED] //The same control system could possibly be adopted for the Backfire's engine resulting in improvement in the aircraft's supersonic range and payload capability. The Soviets could exercise this option sometime during Backfire's production run.// [REDACTED]

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CUBA-ANGOLA: Ship Convoy Returning from Angola

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[REDACTED] //A convoy of Cuban ships--the sixth since last spring--is returning from Angola and should arrive in Cuba in mid-February. It apparently consists of the same four ships that traveled from Cuba to Angola early last month.//

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[REDACTED] There are indications that the Cubans are interested in beginning a dialogue on their own terms with the US. President Castro was thought to have broached the subject of Cuban withdrawal from Angola on a TV program broadcast in Sweden this week, but actually the interview took place last summer.

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[REDACTED] Several high-ranking Cubans have pointedly indicated Havana's receptivity to a rapprochement with the US. Carlos Rafael Rodriguez, number-three man in the Cuban hierarchy, said during a British TV interview on Wednesday that "Cuba would

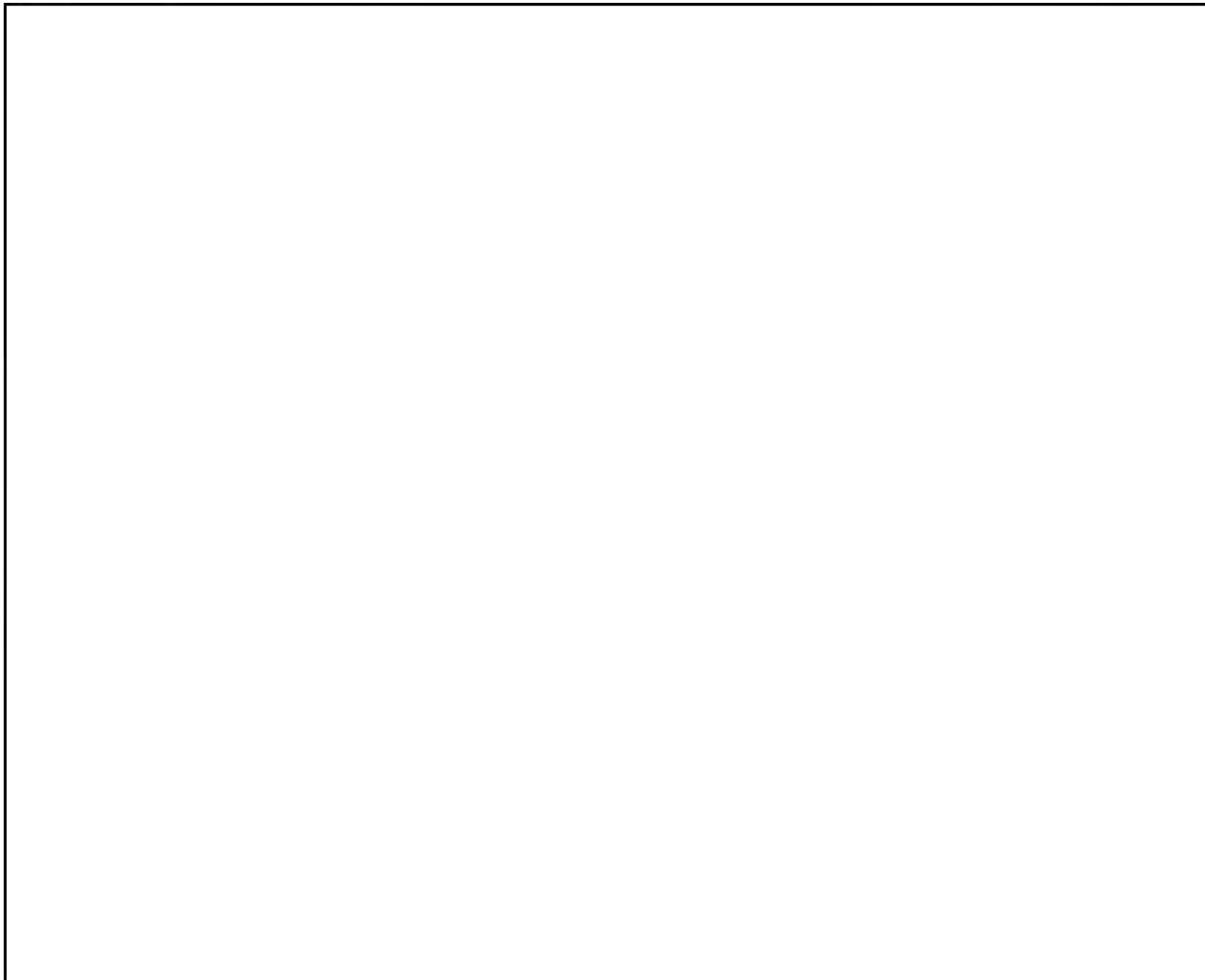
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be willing to discuss anything with the US," but he also made the point that Havana would not "renounce its political and ideological positions." The same general line was taken by Cuba's ambassador to Mexico in a press interview this week.

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OPEC: Payments Surplus Rises

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[REDACTED] The combined surplus of the members of the Organization of Petroleum Exporting Countries on foreign trade in goods and services rose to \$40.1 billion last year as oil exports reached new highs. While higher oil prices helped boost revenues somewhat, the economic upturn in the West and a petroleum inventory build-up in anticipation of the January 1 price hike were the main factors.

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[] The growth of OPEC imports from the West slowed last year despite increased earnings. Financial constraints in some OPEC countries, a slowdown in the implementation of development plans, and transportation bottlenecks contributed to the slowdown. Average prices for OPEC imports rose only 1 percent in 1976.

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[] OPEC outlays for foreign services, insurance, and freight rose substantially last year.

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[] Despite the increase in the overall current-account surplus, OPEC grant assistance fell to \$1.6 billion last year--a \$1 billion decline from 1975. Reduced payments to Syria, Egypt, and Jordan and greater use of concessional lending accounted for the decline. Saudi Arabia was the only major OPEC country to maintain its level of grant aid last year; Kuwait, Qatar, and Iraq cut their outlays sharply. The Saudis now account for 75 percent of total OPEC grant assistance.

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[] Saudi Arabia, Kuwait, and the United Arab Emirates accounted for three fourths of the \$40.1 billion combined OPEC current-account surplus in 1976. Four OPEC members--Algeria, Indonesia, Ecuador, and Gabon--were in deficit last year. Iran's surplus increased by \$2.5 billion in 1976 after a \$9.8 billion decline in 1975.

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[] OPEC's current-account surplus probably will not rise this year and may fall slightly if the Saudis increase production sufficiently to hold the line on prices. We expect OPEC oil export volume to rise by roughly 3 percent this year. Coupled with an estimated average price rise of 6.5 percent for 1977, this will increase OPEC oil earnings by about \$11.5 billion. The increased earnings are expected to be offset by a 13 to 20 percent rise in OPEC import expenditures. []

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